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ZENITH EDUCATION GROUP

Report of Independent Monitor
July 31, 2015

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Time Period: This report reflects the Monitor's activities from June 1, 2015 through June 30, 2015.

1. Marketing Materials

- a. Monthly report to include description of marketing materials reviewed to date

Status:

Monitor has received an initial batch of marketing materials from Zenith. These materials include TV media, Internet media, webpages for Everest.edu and Wyotech.edu, Newspaper creative, Print Media (Yellow pages, Displays, Flyers), and Email Campaigns.

Monitor has completed review of Print Media, Email Campaigns, and Vendor Agreements. Monitor is in the process of determining with Zenith whether the reviewed documents are currently in use by Zenith. Monitor is in the process of reviewing Everest and Wyotech website pages, including disclosure pages.

In progress: see Section 1

2. Admissions/Recruitment

- a. Employees

- Monthly report to include description of documents reviewed related to training, supervision, compensation of employees performing admissions and recruitment functions.
- Monthly review to describe sampling of calls and emails to and from prospective students to Zenith related to Admissions and Recruiting.

- b. Third Parties/Lead Generators

- Monthly review to identify materials reviewed related to third parties or lead generators.

Status:

Document Review:

Enrollment Agreements. Completed. Report included in June 30, 2015 Report. Update at Section 2. .

Admissions Call Monitoring:

See Section 2. Monitor has reviewed recorded admissions calls for online campuses for the period between May 1 and May 31 according to a review method recommended by NORC.

3. Oversight Over Required Disclosures

- a. Completion Rates – Monthly report to include description of materials reviewed related to date of completion.
- b. Placement Rates – Monthly reporting regarding placement rates.
- c. Accreditation Status – One time reporting in monthly report regarding agreed disclosure in Enrollment Agreement.

Status:

Completion Rates: Complete See Section 3. .

Placement Rates: Monitor has not begun reviewing Placement Rates. As indicated in the May 31, 2015 Report, current Placement Rate disclosures that are made by Zenith are based on the information collected and reported by the prior owner/operator CCI. The Monitor has not verified CCI placement rate information. The Monitor will review the Placement Rates that are based on information collected and verified by Zenith once such is reported to accreditors.

Accreditation Status: Completed. Report included in April 30, 2015 report.

4. Student Choice

- a. Summary of Student Choice implementation in Monthly report for first two months.

Status:

Completed. Report included in March 30, 2015 report. Updated data regarding redemption of vouchers was included in the May 31, 2015 Report.

5. Tuition Reduction Program/Zenith Graduation Scholarship

- a. One time summary of implementation of Tuition Reduction program.
- b. One time summary of implementation of Zenith Graduation Scholarship.

Status:

Completed. The Monitor completed review of training material for the Tuition Reduction and Graduation Scholarship Program and observed training related to the Graduation Scholarship and Tuition Reduction Program. The Monitor has also reviewed the Graduation Scholarship Application. Preliminary Findings related to these activities were included in the April 30, 2015 Report.

Updated Findings regarding the new Everest and WyoTech tuition schedules and reviewed additional data regarding the Graduation Scholarship were included in the May 31, 2015 report.

6. Zenith Grant Program/Institutional Loans

- a. One time summary of implementation and materials for Zenith Grant Program.

Status:

Completed. The Monitor reviewed training material for the Zenith Grant Program and findings regarding these materials were included in the April 30, 2015 Report. The Monitor reviewed additional data review of the implementation of this program and made updated findings in the May 31, 2015 Report.

Section 1: Marketing Materials

Scope of Review: The Monitor reviewed over 3000 documents provided by Zenith related to the following categories:

Admissions Training

Contact Center

- Call Center Agreements
- Agent Assessments
- Agent Training
- Transfer Issues
- Chat Job Aids and Training Materials
- Inbound Job Aids and Training Materials
- Outbound Job Aids and Training Materials
- Technology Dialer Training
- Quality Assurance Rubric
- Quality Assurance Training Manuals and Presentations

Email Campaign

Internet Media

- Paid Internet Services Agreements
- Paid Internet Insertion Orders

Enrollment Related Material

- Enrollment Agreements
- Student Code of Conduct
- Preferred lender list
- Student Disclosures and Policies

Admissions Materials

- Reminder Scripts
- Postcards
- Booklets
- Posters

Print and Other Media

- Newspaper
- Yellow Pages

FINDINGS:

Admissions Training: The Monitor has no adverse material findings related to the admissions training materials reviewed.

Contact Center: The Monitor has no adverse material findings related to the contact center materials reviewed.

Email Campaign: The Monitor has no material adverse findings related to the Email Campaign material reviewed. The Monitor identified one instance where language in the presentation included aggressive sales tactics suggesting a need to act quickly. The statements do not pertain to limited space in the programs and do not constitute a violation of law. Zenith indicated that this training was no longer in use.

Enrollment Materials

Enrollment Agreements, Disclosures and Policies: See June 30, 2015 report

Preferred Lender List: The Preferred Lender Disclosures indicates that Zenith does not have any preferred lenders.

Admissions Materials: The Monitor has no adverse material findings related to the postcards, booklets, reminder scripts, and posters reviewed.

Print and Other Media: The Monitor has identified eight print media documents that contain statements regarding program length to determine whether they are currently in use and whether the statements contained within the document regarding program length are accurate as made.

Internet Media/Lead Generators: Zenith uses lead generators to supply Zenith with interested prospective student. The Monitor has reviewed all lead generator contracts for lead generator companies used by Zenith as of February 2015 and July 2015. Zenith does not have a fixed number of purchased leads in any contract. Leads are purchase through insertion orders specifying the number of leads from each lead generator to be purchased during a campaign. The agreements with lead generators do not indicate that Zenith allows third parties to solicit students for enrollment. Leads are purchased by Zenith and prospective students are contacted by Zenith's internal marketing and admissions employees. In comparing the February and July orders for lead generator services, the Monitor observes that during this period Zenith has reduced the amount spent for use of lead generators by approximately 35%. Zenith's agreements with lead generators in use in February 2015 and July 2015 comply with the record retention provision in the conduct provisions and the prohibition on incentive compensation.

Web Pages: Ongoing
TV Media: Ongoing
Catalogs: Ongoing

Section 2: Admissions/Recruitment

A. Document Review - Enrollment Agreements.

1. Washington. - UPDATE

Zenith informed the Monitor that it is modifying the cancellation policy in its Washington Enrollment Agreements. Under Washington law, the following cancellation period is required

IF YOU HAVE NOT STARTED TRAINING, YOU MAY CANCEL THIS CONTRACT BY PROVIDING WRITTEN NOTICE OF CANCELLATION TO THE SCHOOL AT ITS ADDRESS SHOWN ON THE CONTRACT. THE NOTICE MUST BE POSTMARKED NOT LATER THAN MIDNIGHT OF THE FIFTH BUSINESS DAY (EXCLUDING SUNDAYS AND HOLIDAYS) FOLLOWING YOUR SIGNING THIS CONTRACT OR THE WRITTEN NOTICE MAY BE PERSONALLY OR OTHERWISE DELIVERED TO THE SCHOOL WITHIN THAT TIME. IN EVENT OF DISPUTE OVER TIMELY NOTICE, THE BURDEN TO PROVE SERVICE RESTS ON THE APPLICANT.

Wash. Admin. Code 490-105-040(6)(e). At the request of Washington state officials. Zenith is implementing the following cancellation period.

CANCELLATION PERIOD: YOU MAY CANCEL THIS CONTRACT AT ANY TIME WITHIN FIVE BUSINESS DAYS FROM THE DATE YOU SIGN THIS CONTRACT, MAKE AN INITIAL PAYMENT, OR VISIT THE SCHOOL FOR THE FIRST TIME, WHICHEVER IS LATEST. IF YOU CANCEL IN A TIMELY MANNER, ALL PAYMENTS MADE WILL BE REFUNDED. YOU CAN CANCEL BY PERSONALLY APPEARING AT YOUR SCHOOL TO WITHDRAW, SENDING AN ELECTRONIC MESSAGE TO: WITHDRAWALS@ZENITH.ORG, CALLING (888)236-9614, OR SENDING A LETTER IN THE MAIL TO YOUR SCHOOL AT THE ADDRESS ON PAGE SIX OF THIS CONTRACT (IF MAILED, THE NOTICE MUST BE POSTMARKED NO LATER THAN MIDNIGHT OF THE FIFTH BUSINESS DAY.) IF THERE IS A DISPUTE OVER TIMELY NOTICE, THE BURDEN TO PROVE SERVICE RESTS ON THE STUDENT.

B. Admissions Call Monitoring

1. Scope of Review

The Monitor reviewed Admissions Calls regarding Everest online programs for the month of May 2015.

a. Expansion of Call Recording Capability

During the month of May, Zenith is implementing additional call recording capability to allow statistically valid monitoring of Zenith ground campus admissions. The Monitor has been informed that this process was completed in May. The Monitor will begin reviewing a statistically valid selection of Zenith ground campus admissions calls starting in June. In order to provide a reliable review, the Monitor will work with NORC to determine a way to reliably sample all ground campuses within the months of June and July.

b. Call Selection Methodology

The Monitor reviewed a selection of recorded calls relating to Everest online campuses as recommended by NORC. The sample selection was based on treating the online campus as a single campus and based on a number of calls to detect a 5% error rate and were selected based on a randomized selection of admissions representatives within the Tampa and Tempe call centers. The individual calls were reviewed by the Monitor by listening to the recordings of each call selected for the agent from start to finish. No voice recognition software was used for the review.

2. Findings regarding Review of Everest Online Admissions calls

Based on the review the Monitor identified calls that represent less than 3% of total calls reviewed that contained statements that merit review by Zenith. None of the calls themselves resulted in an enrollment. General descriptions of the issues identified are as follows:

a. Statements regarding job market. Various advisors expressed personal opinions regarding the job market that could be construed as statements of fact. Examples include:

Prospective student initially expressed interest in other areas but asked about degree areas that are dependable and not just to get a degree. Agent advised that best choice is a business degree as it could lead into most doors open and available to get employment.

Prospective student indicated interest in areas not offered by Everest. Advisor indicated that Everest courses are offered in fields where jobs and careers are highly in demand.

- b. Incomplete or incorrect descriptions of financial aid process. Examples include:

Various advisors indicated that financial aid and scholarships were available to those who apply. The statements were not qualified to indicate that an assessment of eligibility is required.

Various advisors indicated that prospective students who were delinquent in financial aid payments could requalify for financial aid after beginning payment plan on prior obligations.

Potential student indicated that student is currently saving up to make payments on prior student loan and would enroll in upcoming year. Advisor suggested that student could re-qualify for financial aid upon entering into payment plan and suggested that student make only minimal required payments toward prior loans.

Section 3. Oversight over Disclosures

Completion Rates – Preliminary Findings and Updated Findings

The Monitor is in the process of reviewing Zenith's Completion Rate Disclosures. Zenith has previously identified the following specific statements regarding calculation of completion rates as outlined in 34 C.F.R § 668.412.

Zenith has provided the Monitor with a copy of the following assumptions identified to the Department:

Zenith Assumptions

1. The Enrollment Cohort will include all students who started in a program for the first time, during the enrollment cohort (financial aid award year, FA AY). Re-entries will not be considered a "start" in the enrollment cohort (FA AY) if they attended the program in a previous enrollment cohort (FA AY), regardless of how long it has been since their prior attendance.

Zenith Basis: The factual underpinning is from § 668.412 "(i) Subject to paragraph (a)(2)(ii) of this section, for the purpose of calculating the completion and withdrawal rates under paragraph (b) of this section, the enrollment cohort is comprised of all the students who began enrollment in a GE program during an award year. For example, the students who began enrollment in a GE program during the 2014–2015 award year constitute the enrollment cohort for that award year."

2. The enrollment cohort will exclude any students that have died. The enrollment cohort will not exclude totally and permanently disabled students who were unable to continue on at least a half-time basis as we do not track disabled students in our system at this level of detail.

Zenith Basis: The factual support is from § 668.412 “(ii) A student is excluded from the enrollment cohort for the purpose of calculating the completion and withdrawal rates under paragraph (b) of this section if, while enrolled in the program, the student died or became totally and permanently disabled and was unable to continue enrollment on at least a half-time basis, as determined under the standards in [34 CFR 685.213](#).”

3. Students will be considered completers if they became a graduate in the program. Students with any status other than graduate will be considered non-completers.
4. [Zenith] will use the financial aid definition of full-time, and less than full time (number of credits) to determine the cohort the student's completion information will be calculated in. The number of credits the student is enrolled in on the student's first day of attendance will be used to determine the student's status. As such, students will be considered full-time if they are taking 12 credits or more, and considered less than full time if they are taking less than 12 credits. All modular students will be considered full time.

Zenith Basis: from § 668.412 “(i) For students whose enrollment status is full-time on the first day of the student's enrollment in the program” and “(ii) For students whose enrollment status is less than full-time on the first day of the student's enrollment in the program”

5. [Zenith] will use the following calculations to display completion information based on the students FT or Less than FT status

§1. (# of full time students in EC who completed within 100% program length) / (# of full-time students in EC)

§ 2. (# of full time students in EC who completed within 150% program length) / (# of full-time students in EC)

§3. (# of less-than-full-time students in EC who completed within 200% program length) / (# of less-than-full-time students in EC)

§4. (# of less-than-full-time students in EC who completed within 300% program length) / (# of less-than-full-time students in EC)

6. [Zenith] will display the completion percentages for the enrollment cohort (by financial aid award year, July 1- June 30) that will provide the most recent group of completers for the longer of the two completion percentages. Specifically, we will select the most recent enrollment cohort (FA AY) for the full-time students to have had enough time to complete 150% of their program length; and, we will select the most recent enrollment cohort (FA AY) for the less than full-time students to have had time to complete 300% of their program length. As such the enrollment cohort may vary dependent on program length.
7. [Zenith] will disclose the enrollment cohort (FA AY) that was used for completion calculations with the published completion numbers.

Scope of Review

The Monitor's review of Completion Rates is divided into three categories:

1. Numerical validation of the Completion Rate Data provided by Zenith. NORC has performed a manual sample validation of the Completion Rate data provided by Zenith and has found no errors in the formula or the application of the formulas to the reviewed sample of programs. NORC is undertaking a 100 percent validation (i.e. for all programs and campuses) of the application of the formula for calculations for the Completion Rates and expects to have the review completed for the July 31, 2015 report.

FINDING: The sample validation of the Completion Rate data provided by Zenith did not contain any numerical calculation errors.

UPDATED FINDING: NORC has completed its validation of 100 of the application of the formula for Completion Rate calculation for all Zenith programs and campuses. The 100 percent validation was completed using SAS code to match each student record to the appropriate campus/program completion calculation. No errors were found in the application of the formula.

2. Sample Review of the source data forming the basis for the Completion Rate Data. The Monitor has requested review of a sample of student records recommended by NORC. This review is scheduled for July and the results will be included in the July 31, 2015 report.

UPDATED FINDING: The Monitor reviewed student records in CampusVue for all students recommended for review by NORC. The review included reviewing the students' enrollment and start dates, transfers, and completion. The review included students who completed and did not complete. For reviewed students who completed, the time period for completion corresponded with the data used for calculation of program completion rates. For reviewed students who did not complete, the status as non-completer corresponded with the data used

for calculation of completion rates. The review included students who transferred between programs. For transferring students, the students were accurately classified as non-completers in their original program. Based on the review of the sample, the Monitor has concluded that the completion data used for calculation of program completion dates accurately imported data matching individual student records of program completion.

3. Posting of Completion Rates in accordance with Calculations.

FINDING: The Monitor has identified a small number of questions within the completion rate calculations provided and the disclosures posted on the websites for some programs and has requested clarification on these issues. Zenith has been provided a list of the questions and requests for clarification and is investigating them. The Monitor will review Zenith's responses in July. Any identified errors that are not corrected or not explained will be described in the July 31, 2015 report.

UPDATED FINDING. The Monitor identified five (5) posted completion dates which were inaccurately posted. Zenith has corrected these Completion Rates.